

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCTS PRICE CHANGES
RATES OF GENERAL APPLICABILITY

Docket No. CP2017-20

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2,
WITH PORTIONS FILED UNDER SEAL
(November 1, 2016)**

The United States Postal Service hereby provides its responses to Chairman's Information Request No. 2, which was issued on October 27, 2016. Responses were due by November 1, 2016. Each question is reprinted verbatim in the attached, and is followed by the Postal Service's response. One Excel file associated with the responses to Questions 4 and 5 has been filed under seal. The Postal Service hereby incorporates by reference its application for non-public treatment originally filed in this docket, for the protection of the material that has been filed under seal.

Respectfully submitted,

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November 1, 2016

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1. Please refer to Governors' Decision No. 16-7. Governors' Decision No. 16-7 states that "recognizing that the Postal Service is at a competitive disadvantage in the marketplace by publishing these highly discounted prices that are viewable by all customers, Commercial Plus prices were matched to the Commercial Base prices in 2016 and will continue to be in 2017." Governors' Decision No. 16-7 at 2. Please explain why the Postal Service is at a competitive disadvantage in the marketplace as a result of publishing non-equivalent Priority Mail Express Commercial Plus prices but not as a result of publishing non-equivalent Priority Mail Commercial Plus prices.

RESPONSE:

The Postal Service is at a competitive disadvantage in the marketplace as a result of publishing non-equivalent Priority Mail Commercial Plus prices as well. The Postal Service's main competitors publish only one set of commercial prices for each product. While publishing two sets of prices may help the Postal Service offer more options to customers in certain situations, it also adds to customer confusion and often allows competitors to undercut the Postal Service's discounted prices. Management will continue to examine the commercial pricing for both Priority Mail and Priority Mail Express, and will determine an appropriate course of action in the future to address the competitive disadvantage.

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2. Please refer to Governors' Decision No. 16-7. Governors' Decision No. 16-7 states that for Priority Mail Express "Commercial Base prices will be set at a flat 11.2 percent discount off of Retail prices." Governors' Decision No. 16-7 at 2. Attached to Governors' Decision No. 16-7, the Postal Service included proposed revisions to the Mail Classification Schedule. Governors' Decision No. 16-7, Attachment, Part B. In the revised price tables for Priority Mail Express Commercial Base, many of the price cells represent discounts other than 11.2 percent off of the Priority Mail Express Retail prices. Governors' Decision No. 16-7, Attachment, Part B, section 2105.6. Please resolve this discrepancy and, if applicable, please provide amended workpapers.

RESPONSE:

The use of the word "flat" was not intended to convey that all Commercial Base price cells would be discounted 11.2 percent off of Retail. On average, the Commercial Base prices reflect an 11.2 percent discount off of Retail.

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3. Please refer to Governors' Decision No. 16-7. Governors' Decision No. 16-7 states that "[o]verall, the Priority Mail Express price change represents a 3.4 percent increase." Governors' Decision No. 16-7 at 2. In the *Federal Register* notice detailing the Postal Service's planned price change for competitive products, the Postal Service states that "[o]verall, Priority Mail Express prices will increase 3.3 percent." 81 Fed. Reg. 74305 (October 26, 2016). Please reconcile the two statements.

RESPONSE:

The overall Priority Mail Express price increase is 3.4 percent. Upon the Commission's approval of the proposed prices in Docket No. CP2017-20, the Postal Service will revise and republish the competitive final rule Federal Register Notice to reflect the correct percentage increase of 3.4 percent.

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4. Please refer to Governors' Decision No. 16-7. Governors' Decision No. 16-7 states that for Priority Mail "Commercial Base prices will, on average, reflect a 13.6 percent discount off of Retail prices." Governors' Decision No. 16-7 at 3. Please explain and provide the calculations supporting the statement that the proposed prices reflect an average 13.6 percent discount.

RESPONSE:

Please see the workbook, "PM Jan 2017 Price Change Calc 1.xlsx", filed under seal.

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5. Please refer to Governors' Decision No. 16-7. Governors' Decision No. 16-7 states that for Priority Mail "Commercial Plus prices as a whole will receive 4.5 percent increase and will average 16.8 percent discount off Retail prices." Governors' Decision No. 16-7 at 3. Please explain and provide the calculations supporting the statement that the proposed prices reflect an average 16.8 percent discount.

RESPONSE:

Please see the workbook, "PM Jan 2017 Price Change Calc 1.xlsx", filed under seal.

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6. Please refer to the Postal Service's *Federal Register* notice detailing the Postal Service's planned price change for competitive products. 81 Fed. Reg. 74305 (October 26, 2016). In that notice, the Postal Service states that "[t]he Postal Service will offer an optional Area Distribution Center (ADC) presort for First-Class Package Service (FCPS) parcels." Please confirm that mailers who use the optional ADC presort service will pay FCPS Single-Piece rates. If not confirmed, please explain and provide the rates for the optional ADC presort service with supporting workpapers.

RESPONSE:

Confirmed.

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7. Please refer to Excel file "FCPS Calc.Redacted.xlsx," tab "Details," cells Q9-Q25.
 - a. Please confirm that the data in the referenced cells appear in the FY 2015 FCPS Billing Determinants. If confirmed, please provide the source for the data. If not confirmed, please explain.
 - b. Please define the term "Returns" used in cell Q9.

RESPONSE:

- a. Confirmed. The source is the USPS Revenue, Pieces, and Weight (RPW) report.
- b. "Returns" as used in cell Q9 refers to the pieces identified as inbound (returns) packages in the RPW report.